MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2020/2021

BAC 2624 – MANAGEMENT ACCOUNTING 2

(All sections / Groups)

17 OCTOBER 2020
9.00 a.m. –12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT:

1. This paper consists of **SEVEN (7)** pages excluding cover page with **4** Questions only.
2. Answer **ALL** questions.
3. All questions carry equal marks and the distribution of marks for each question is given.
4. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Part A

MDD Sdn. Bhd. produces chairs and has determined the following direct cost categories and budgeted amounts:

Category	Standard hours for 1 unit	Standard cost per input (RM)	Standard cost per unit (RM)
Direct Materials	1.00	7.50 per unit	7.50
Direct Labour	0.30	9.00 per unit	2.70
Direct Marketing	0.50	3.00 per unit	1.50

Actual performance for the company is shown below:

Actual output: (in units)	4,000
Direct Materials:	
Materials costs	RM30,225
Input purchased and used	3,900 units
Actual price per input	RM7.75
Direct Manufacturing Labour:	
Labour costs	RM11,470
Labour-hours of input	1,240 hours
Actual rate per hour	RM9.25
Direct Marketing Labour:	
Labour costs	RM5,880
Labour-hours of input	2,100 hours
Actual rate per hour	RM2.80

Required:

a) What is the combined total of the flexible-budget variances? (3 marks)

b) What is the price variance of the direct materials? (2 mark)

c) What is the price (rate) variance of the direct manufacturing labour and the direct marketing labour, respectively? (4 marks)

d) What is the efficiency (usage) variance for direct materials? (2 marks)

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e) What are the efficiency variances for direct manufacturing labour and direct marketing labour, respectively? (4 marks)

Part B

SC Sdn. Bhd. manufactures chemical T, using two compounds XX and YY.

The standard material usage and cost of one unit of T are as follows:

		RM
Compound XX	5 kg @ RM3 per kg	15
Compound YY	10 kg @ RM2 per kg	20
Total		35

During the month of May, 80 units of T were produced from 300 kg of compound XX and 930 kg of compound YY.

Required:

Calculate

a) Total material usage (efficiency) variance. (2 marks)
b) Total mix and yield variance and (4 marks)
c) Interpret the mix and yield variances. (4 marks)

[TOTAL: 25 MARKS]

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QUESTION 2

PART A

J Equipment Sdn. Bhd. uses a flexible budget for its indirect manufacturing costs. For 2020, the company anticipated that it would produce 18,000 units with 3,500 machine-hours and 7,200 employee days. The costs and cost drivers were to be as follows:

	Fixed RM	**Variable** RM	**Cost driver**
Product handling	30,000	0.40	per unit
Inspection	8,000	8.00	per 100 unit
Utilities	400	4.00	per 100 unit
Maintenance	1,000	0.20	per machine-hour
Supplies		5.00	per employee day

During the year, the company processed 20,000 units, worked 7,500 employee days, and had 4,000 machine-hours. The Total Actual Costs (fixed plus variable cost) for 2020 were:

	Actual costs (RM)
Product handling	36,000
Inspection	9,000
Utilities	1,600
Maintenance	1,200
Supplies	37,500

Required:

a) Prepare the static budget using the overhead items above and then compute the static-budget variances. (6 marks)

b) Prepare the flexible budget using the overhead items above and then compute the flexible-budget variances. (6 marks)

PART B

The Pump Division of Motors Sdn. Bhd. produces water pumps for automobiles. It has been the sole supplier of water pumps to the Automotive Division and charges RM30 per unit, the current market price for very large wholesale lots.

The Pump Division also sells to outside retail outlets, at RM38 per unit. Normally, outside sales amount to 25% of a total sales volume of 1 million water pumps per year.

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Typical combined annual data for the divisions follows:

	RM	RM
Sales		32,000,000
Less: Variable costs @ RM24 per pump Fixed costs	 24,000,000 3,000,000	
Total costs		27,000,000
Gross margin		5,000,000

Solid Pump Sdn. Bhd., an entirely separate entity, has offered the Automotive Division of Motors Sdn. Bhd. water pumps at a firm price of RM28 per unit. The Pump Division of Motors Sdn. Bhd. claims that it cannot possibly match this price because it could not earn any margin at RM28.

Required:

a) Assume that you are the manager of the Automotive Division. Comment on the Pump Division's claim. Assume that normal outside volume cannot be increased.
(4 marks)

b) The Pump Division feels that it can increase outside sales by 750,000 water pumps per year by increasing fixed costs by RM2 million and variable costs by RM3 per unit while reducing the selling price to RM36. Assume that maximum capacity is 1 million pumps per year. Should the division reject intra-company business and concentrate on outside sales?
(4 marks)

c) What is a transfer price and what is it intended to achieve? Explain.
(5 marks)

[TOTAL: 25 MARKS]

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QUESTION 3

DDT Sdn. Bhd. is interested in replacing a molding machine with a new improved model. The old machine has a salvage value of RM20,000 now and a predicted salvage value of 4,000 in six years, if rebuilt. If the old machine is kept, it must be rebuilt in one year at a predicted cost of RM40,000.

The new machine costs RM160,000 and has a predicted salvage value of RM24,000 at the end of six years. If purchased, the new machine will allow cash savings of RM40,000 for each of the first three years, and RM20,000 for each year of its remaining six-year life.

Discounting factor @ 14% for present value of RM1:

Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Factor	0.877	0.770	0.675	0.592	0.519	0.456

Discounting factor @ 14% for present value of RM1:

Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Annuity Factor	0.877	1.647	2.322	2.914	3.433	3.889

Required:

a) What is the net present value of purchasing the new machine if the company has a required rate of return of 14%? (15 marks**)**

b) Describe capital budgeting and use of the net present value (NPV) method to make capital investment decisions. (4 marks)

c) List and briefly describe each of the six stages in capital budgeting. (6 marks)

[TOTAL: 25 MARKS]

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QUESTION 4

PART A

CCS Sdn. Bhd. subjects a raw material in powder form to a heat expansion process at the end of which three separate products emerge. These products, A, B and C, can either be sold at this point or they can be processed further in order to obtain higher selling prices. No loss of weight occurs in the process and there is never any partly processed material.

The current selling prices per kilogram are:

	A RM	B RM	C RM
If sold at separation	5	3	4.50
If sold after further processing	8	5	6

In May the total costs of the expansion process, including raw material, were RM108,000. Management decided to apportion these costs on a weight basis and also decided to subject all output to further processing after which all production was sold at the higher prices.

The following data was recorded:

	A	B	C
Output (kg)	15,000	9,000	12,000
Cost of further processing	RM30,000	RM22,500	RM9,000

Required:

a) Prepare a statement showing the profit or loss attributed to each product and in total for the month of May.

(8 marks)

b) Prepare a statement showing:

i. Calculation to arrive at the decisions that management should have taken to maximize the profit for the month (4 marks)

ii. The amount of maximum profit. (4 marks)

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Part B

a) Give three examples of industries where joint products arise.

(2 marks)

b) State another two most commonly used bases for apportioning joint costs to products.

(2 marks)

Part C

S&L Co. manufactures rattan furniture. The cost accounting system estimates manufacturing costs to be RM80 per table, consisting of 70% variable costs and 30% fixed costs. The company has surplus capacity available. It is the company's policy to add a 50% mark up to full costs.

Required:

a) S&L Co. was invited to bid on an order to supply 100 rattan tables. What is the lowest price (minimum price) per unit they should bid on this one-time-only special order?

(2.5 marks)

A large hotel chain is currently expanding and has decided to decorate all new hotels using rattan furniture and S&L Co. has been invited to submit a bid to the hotel chain.

Required:

b) What is the lowest price per unit they should bid on this long-term order?

(2.5 marks)

[TOTAL: 25 MARKS]

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